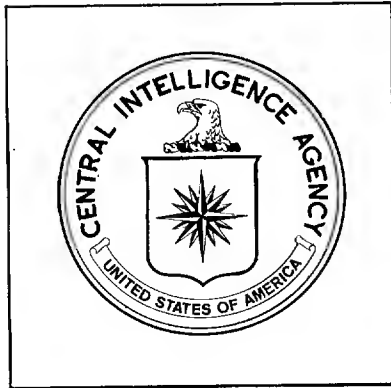


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STAFF NOTES:

Latin American Trends

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125

December 3, 1975
No. 0538/75

SECRET NOFORN

LATIN AMERICAN TRENDS

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Uruguay: They Love Us, They Love Us Not

1 Uruguay is closely allied to the United States in its devotion to democratic principles, but at times has some doubts about its large northern neighbor. A recent trade development, however, may signal an upturn in relations.

1 The cordial relationship between the two countries began to show strains in the mid-1960s when the Uruguayans expressed strong opposition to the US-OAS intervention in the Dominican Republic. More recently, Uruguayan army chief General Vadora expressed strong displeasure over the US vote last July for the OAS resolution giving each nation freedom of action to determine its relations with Cuba. He said it was not a position to be expected of a long-time ally and defender of democracy.

3 During a visit to Uruguay this month, OAS Secretary General Orfila mirrored the feelings of many Latin Americans, Uruguayans among them, when he expressed disappointment over the cancellation of an expected visit to Latin America by Secretary of State Kissinger. Uruguayans feel the US does not have a coherent policy toward Latin America and, in particular, that at times it neglects Uruguay.

4 The fall of Cambodia and South Vietnam caused shock and bewilderment as well as concern that the United States may indeed abandon a small ally. Uruguayans want to believe the US will defend the values they hold dear but are concerned about actions the US Congress may take. They are aware that Congress has assumed a more active role in US foreign policy and are apprehensive about the possible effects on their security resulting from shifting attitudes in that legislative body.

5 Bilateral problems often focus on what Uruguay, along with the rest of Latin America, sees as a protectionist trade bias in Washington. US health standards on meat processing, for example, are sometimes viewed as a protectionist threat to Uruguay's major export.

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Washington's approval of the generalized system of preferences product list late in November may signal a new upturn in the seesawing relationship. Had this system been in effect in 1974, 62 percent of Uruguay's exports to the US would have entered duty-free, instead of the actual 17 percent. Uruguay should profit particularly by the inclusion on the list of leather clothing (a non-traditional export) and woolen items. Other listed items provide significant opportunities for expansion and diversification of Uruguayan exports to the United States. (CONFIDENTIAL NOFORN)

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Jamaica: Manley Visits US

22 Jamaican Prime Minister Michael Manley, who is in New York this week on a private visit, has been the major figure in altering Jamaica's western-oriented foreign policy in favor of closer identification with the Third World. At home, he has initiated changes aimed at bringing about fundamental reforms in the country's social structure, but concern over what kind of society he is attempting to create has generated a climate of turmoil.

22 When he first took office over three and a half years ago, Manley was widely viewed as a liberal reformer who, in the Rooseveltian tradition, would correct gross imbalances in income and power. His government, however, has proven more radical than expected. The gravity of Jamaica's social ills is the principal factor causing him to move to the left. Foremost among these problems are:

22 -Rampant and chronic unemployment--which was 20 percent in 1974--affecting the 14-24 age bracket most drastically and creating a large pool of alienated youth susceptible to the appeals of the various radical movements that had sprung up in the late 1960s.

-A severe crime problem reflecting lack of jobs and also a general resentment, with racial overtones, of the wide gap between rich and poor.

-A housing shortage most dramatically evident in West Kingston, where shanty towns abound.

1 Manley has taken seriously his campaign promise to improve the lot of Jamaica's urban poor. He has given high priority to bringing back into the mainstream of Jamaican political life the economically marginal groups who had been drifting away from conventional politics. Using his considerable skills as an orator and his magnetic popular appeal, along with

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promises of public sector employment, Manley has apparently succeeded in convincing the more urbanized low-income groups of the government's concern.

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Manley began a year ago to create something called "democratic socialism." What he means by this phrase remains vague, since his government has tended to express its commitment to change as much by its rhetoric as by specific programs. The prime minister's ideas about the kind of society he wants to build are influenced by his studies at the London School of Economics and more directly by his experience as a trade union organizer where he came to believe in a kind of shop-floor democracy. Manley wants to give Jamaicans increased grassroots participation in their institutions through the development of such organizations as worker councils in the factories, worker cooperatives on the sugar estates, and joint teacher-pupil committees in the schools.

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A second element of "democratic socialism" is the government's effort to develop a mixed economy. Manley's distaste for capitalism as it has evolved historically in Jamaica and his desire to have a greater voice in the development of Jamaica's natural resources have led him in the direction of nationalizing the "commanding heights" of the economy. After taking over the country's most important public utilities, the government began the process of acquiring majority ownership in the foreign-dominated bauxite industry that constitutes the backbone of the Jamaican economy.

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Despite his harsh criticism of capitalism's role in the country's development, Manley insists that there is a place for private enterprise in Jamaica. He has tried to reassure businessmen and the middle class, who have long been apprehensive over his ultimate intentions. The crisis of confidence in the business community combined with Jamaica's economic stagnation--due mainly to cutbacks

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22 in bauxite production and stunted growth in tourism--has deprived Manley of the economic base from which to carry out programs of social reform. His recent conciliatory approach to the business community reflects his increasing awareness that "democratic socialism" will be able to deliver the better life only if the economy is running smoothly.

14 This fall the Manley government instituted reforms aimed at reducing income differentials while holding inflation in check. While minimum-wage legislation was introduced, Manley attempted a voluntary freeze on the wages of some of the more affluent until guidelines can be agreed upon with unions and employers. A compulsory savings scheme was announced to finance a newly created National Housing Trust charged with building low-cost housing.

Foreign Policy

22 9 Manley has gained considerable prominence as a Third World figure as he has moved Jamaica away from its traditional role of unquestioned ally of the US and the United Kingdom. He has become an important spokesman for the creation of a new economic order more favorable to the Third World, a leading advocate of producer associations, and a sharp critic of the dominant position of multinational corporations in developing countries. The respect Manley has gained for his sponsorship of economic unity among the developing countries was reflected by the selection of Jamaica as one of the four representatives of the Third World for the Conference of International Economic Cooperation scheduled this month in Paris.

22 Manley's most controversial foreign policy initiative has been the rapprochement he has entered into with Cuba. Following a trip to Cuba in July, Manley returned home full of praise for Castro and determined to adapt aspects of the Cuban experience to the Jamaican environment.

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2 2- Since July this relationship has been moving forward on a number of fronts. A joint economic commission met in Kingston in mid-November, and developed programs for continued cooperation in sugar production, fisheries development, tourism, agriculture, communication, and construction. Frequent exchanges of ministerial-level social and economic missions have taken place, including that headed by Manley's brother Douglas soon after he was named minister of youth and community development. The strength of the political ties between Castro and Manley was symbolized by the fact that a top Cuban foreign policy official sat beside Manley during the 37th congress of his Peoples National Party in late October.

The Reaction

2 2- Close relations with Cuba and Manley's espousal of "democratic socialism" have aroused fears that he intends to establish a one-party socialism akin to the Castro version. Despite Manley's efforts to distinguish between his brand of socialism and Castro's, skepticism persists and the government's opponents have done their best to spread alarm. The leader of the major opposition party, Harvard-educated Edward Seaga, has accused the government of subtly transforming the society into a communist state and warns that the next election will be the last if Manley's Peoples National Party is victorious.

20 6 8 Manley's commitment to competitive democracy is probably genuine, but the intentions of others in his party are more suspect. A small but vocal wing, including much of the local leadership, is clearly to the left of Manley. Minister of Housing Anthony Spaulding, on whom the prime minister relies for strong-arm tactics, has publicly called for the creation of a one-party state, and the secretary general of the party, D. K. Duncan, is reported to have said privately that he favors a communist form of government. The radical wing is gradually building up a base of support by expanding

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20 the party's youth arm, and many observers, including the old guard of the party, fear that the youth arm will get out of control if it cannot pressure him to move further to the left.

19 The increasing polarization of the political climate is reflected in the press and in the violence and thug-gery--excessive even by Jamaican standards--that have 22 accompanied recent local elections. Efforts to ease tensions are complicated by the likelihood that national elections will be held next year and by Manley's almost 20 paranoid fear of Seaga.

US Interests

22 Jamaica's considerable importance to the US derives from the fact that it is this country's most important source of bauxite and the second most important source for alumina. In June 1974, Jamaica increased the export tax on bauxite by 500 percent and linked future increases 17 to the US aluminum prices. Four months later the Manley government began acquiring majority ownership in the 18 Canadian and US aluminum companies by opening negotiations for the purchase of 51 percent of the bauxite operation of the Jamaican subsidiary of Kaiser. The government is 19 proceeding with complicated contract renegotiations with the companies regarding state equity participation in their operations and reversion to the government of bauxite reserves and surface rights held by the foreign companies. Kaiser is closest to a settlement. (SECRET)

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